

**WEST SIOUX
COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITORS' REPORT
JUNE 30, 2007**

**WEST SIOUX COMMUNITY SCHOOL DISTRICT
FOR THE YEAR ENDED JUNE 30, 2007
TABLE OF CONTENTS**

Board Members and Officials		Page 1
 FINANCIAL SECTION 		
Independent Auditors' Report		2 - 3
Management Discussion and Analysis		4 - 11
 BASIC FINANCIAL STATEMENTS 		
Government-Wide Financial Statements:		
Statement of Net Assets		12
Statement of Activities		13 - 14
Governmental Fund Financial Statements:		
Balance Sheet		15
Reconciliation of the Balance Sheet to the Statement of Net Assets		16
Statement of Revenues, Expenditures, and Changes in Fund Balances		17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities		18
Proprietary Fund Financial Statements:		
Statement of Net Assets		19
Statement of Revenues, Expenses and Changes in Net Assets		20
Statement of Cash Flows		21
Notes to Financial Statements		22 - 32
 REQUIRED SUPPLEMENTARY INFORMATION 		
Budgetary Comparison Schedule of Revenues, Expenditures, and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Fund		33
Notes to Required Supplementary Information-Budgetary Reporting		34
 OTHER SUPPLEMENTARY INFORMATION 		
	Schedule	
Statement of Revenues, Expenditures and Changes in Fund Balance – General Fund	1	35 - 39
Combining Balance Sheet – Governmental Nonmajor Funds	2	40
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Nonmajor Funds	3	41
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	4	42 - 43
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	5	44
Schedule of Findings	6	45 - 47
Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting Based on An Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		48 - 49

WEST SIOUX COMMUNITY SCHOOL DISTRICT

LIST OF PRINCIPAL OFFICIALS

Board of Education (Before September 2006 Election)

		Term Expires
Armando Ortiz	President	2007
Doug Smit	Vice President	2006
Tim McKenney	Board Member	2008
Brian Parks	Board Member	2006
Teresa Vande Pol	Board Member	2006

Board of Education (After September 2006 Election)

Armando Ortiz	President	2007
Tim McKenney	Vice President	2008
Doug Smit	Board Member	2009
Curt Anderson	Board Member	2009
Teresa Vande Pol	Board Member	2008

School Officials

Paul Olson	Superintendent	2007
Paula Bartunek	Treasurer and Business Manager	2007
Karin Borchers	District Secretary	2007
James Pickner	Attorney	2007



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INDEPENDENT AUDITORS' REPORT

To the Board of Education of
West Sioux Community School District

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the West Sioux Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the West Sioux Community School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of West Sioux Community School District as of June 30, 2007 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2008 on our consideration of the West Sioux Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise West Sioux Community School District's basic financial statements. The financial statements for the three years ended June 30, 2006, (none of which are presented herein) were audited by other auditors in accordance with the standards referred to in the second paragraph of this report and they expressed unqualified opinions on them. The other supplementary information, included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Williams & Company, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Le Mars, Iowa
May 30, 2008

Management Discussion and Analysis

West Sioux Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2007 Financial Highlights

- General Fund revenues increased from \$5,885,676 in fiscal year 2006 to \$6,270,454 in fiscal year 2007, while General Fund expenditures increased from \$6,112,921 in fiscal year 2006 to \$6,679,577 in fiscal 2007. The District's General Fund balance decreased from \$569,031 in fiscal 2006 to \$159,908, a 71.9% decrease.
- The increase in General Fund revenues was attributable to an increase in state and federal revenue in fiscal 2007. The increase in expenditures was due primarily to an increase in salaries and benefits. The General Fund balance will be carefully monitored during the year keeping in mind the fluctuation in revenues caused by legislative action and student enrollments.

Using this Annual Report

The annual report consists of series financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of West Sioux Community School District as a whole and present an overall view of the District's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report West Sioux Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.
- Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.
- Other Supplementary Information provides detailed information about the non-major Special Revenue Funds and the Debt Service Fund

Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1
West Sioux Community School District Annual Financial Report

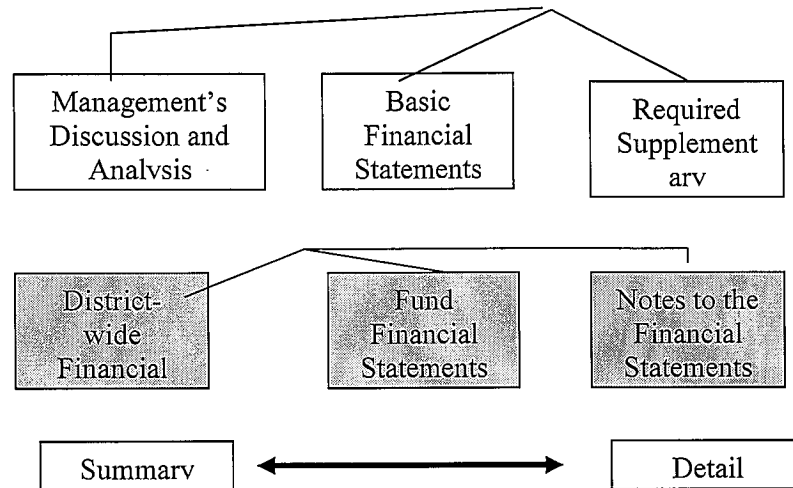


Figure A-2 below summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2: Major Features of the District Wide and Fund Financial Statements			
	Government-wide Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services is included here
Required financial statements	<ul style="list-style-type: none"> Statement of net assets Statement of activities 	<ul style="list-style-type: none"> Balance sheet Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> Statement of net assets Statement of revenues, expenses, and changes in fund net assets Statement of cash flows
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating. To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school building and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help it cover the costs of certain services it provides. The District's food service program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to repay its long-term debts, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

1. *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2. *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business-type activities, but provides more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

Government-wide Financial Analysis

Figure A-3 below provides a summary of the District's net assets at June 30, 2007 compared to June 30, 2006, expressed in thousands.

Figure A-3 Condensed Statement of Net Assets

	Governmental Activities		Business-type Activity		Total District		Total % Change
	2006	2007	2006	2007	2006	2007	
Current and other assets	\$ 5,626	\$ 5,610	\$ 58	\$ (50)	\$ 5,684	\$ 5,560	-2.18%
Capital Assets	6,448	5,878	89	75	6,537	5,953	-8.93%
Total Assets	12,074	11,488	147	25	12,221	11,513	-5.79%
Current Liabilities	4,336	3,035	90	10	4,426	3,045	-31.20%
Long-Term Liabilities	5,050	6,190	-	-	5,050	6,190	22.57%
Total Liabilities	9,386	9,225	90	10	9,476	9,235	-2.54%
Net Assets Invested in capital assets, net of related debt	1,509	1,327	89	75	1,598	1,402	-12.26%
Restricted	679	348	-	-	679	348	-48.75%
Unrestricted	500	588	(32)	(60)	468	528	12.82%
Total Net Assets	\$ 2,688	\$ 2,263	\$ 57	\$ 15	\$ 2,745	\$ 2,278	-17.01%

The District's combined net assets decreased by 17.01% or approximately \$470,000 over the prior year. The largest portion of the District's net assets is the invested in capital assets less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately \$331,000 or 48.75% from the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or the legal requirements – increased approximately \$60,000 or 12.82%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2007 and 2006, expressed in thousands.

Figure A-4 Changes in Net Assets from Operations

	Governmental Activities		Business -Type Activity		Total District		Total % Change 2006/2007
	2006	2007	2006	2007	2006	2007	
Revenue:							
Program revenue							
Charges for services	\$ 598	\$ 644	\$ 129	\$ 139	\$ 727	\$ 783	7.70%
Operating grants, contributions and restricted interest	985	975	173	189	1,158	1,164	0.51%
General revenues:							
Property tax	2,032	2,088	-	-	2,032	2,088	2.75%
Instruction support tax	130	137	-	-	130	137	5.38%
Local option sales tax	378	453	-	-	378	453	19.84%
Unrestricted state grants	2,996	3,167	-	-	2,996	3,167	5.70%
Other	81	123	-	1	81	124	53.08%
Total Revenue	7,200	7,587	302	329	7,502	7,916	5.51%
Program expenses:							
Instruction	4,603	4,900	-	-	4,603	4,900	6.45%
Support service	2,032	2,245	-	-	2,032	2,245	10.48%
Non-instructional programs	4	2	304	341	308	343	11.36%
Other expenses	493	435	-	-	493	435	-11.76%
Total expenses	7,132	7,582	304	341	7,436	7,923	6.54%
Change in net assets	\$ 68	\$ 5	\$ (2)	\$ (12)	\$ 66	\$ (7)	-110.60%

In fiscal year 2007, property tax and unrestricted state grants account for 69% of the total revenue from governmental activities while charges for service and sales and operating grants and contributions account for 100% of the revenue from business-type activities.

The District's total revenues were approximately \$7.9 million of which \$7.6 million was for governmental activities and \$.3 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 5.51% increase in revenues and a 6.54% increase in expenses. The unrestricted state grants increased approximately \$171,000 to fund increases in expenses. The increases in expenses related to increases in the negotiated salary and benefits.

Governmental Activities

Figure A-5 presents the cost of four major district activities: instruction, support services, non-instructional, and other. The table also shows each activity's net cost (total cost less fees generated by activities and intergovernmental aid provided for specific programs.) The net cost shows the financial impact placed on the taxpayers by each function. Amounts are expressed in thousands.

	Total Cost of Services			Net Cost of Services		
	2006	2007	% Change	2006	2007	% Change
Instruction	\$4,603	\$4,900	6.45%	\$3,330	\$3,575	7.35%
Support services	2,032	2,245	10.48%	1,956	2,194	12.16%
Non-Instructional	4	2	-50.00%	-	-	-
Other	493	435	-11.76%	263	193	-26.61%
Totals	<u>\$7,132</u>	<u>\$7,582</u>	<u>6.30%</u>	<u>\$5,549</u>	<u>\$5,962</u>	<u>7.44%</u>

- The cost financed by users of the District's programs was \$644,909.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$974,622.
- The net cost of governmental activities was financed with \$2,677,428 in property and other taxes and \$3,167,002 in unrestricted state grants.

Business Type Activities

Revenues for business-type activities were \$329,082 and expenses were \$341,452. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income. As seen on Figure A-4 this represents an increase in both revenues and expenses, due mainly to the District beginning to supply food to a local head start program in fiscal year 2007.

INDIVIDUAL FUND ANALYSIS

As previously noted, West Sioux Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,033,244, \$299,658 below last year's restated ending fund balances of \$1,332,902. The primary reason for the decrease in combined fund balances in fiscal 2007 is due to the expenses related to increases in the negotiated salary and benefits, growing more rapidly than the District's revenue streams.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the result of many factors. However, the increase in revenues was more than offset by the District's increase in General Fund expenditures requiring the District to use carryover fund balance to meet its financial obligations during the year.
- The General Fund balance decreased from \$569,031 to \$159,908, due in part to the negotiated salary and benefits settlement, and existing expenditure commitments of the District.
- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$(37,067) in fiscal 2006 to \$(57,913) in fiscal 2007. Revenues increased, however,

due to the purchase of a new school bus and the scheduled debt service transfers, the fund balance has further declined. The District will be monitoring the expenditures in the future in order to improve the financial condition of the fund.

- The Capital Projects Funds balance increased due to the Local Option Sales Tax funds being used to pay the capital loan payments. The District ended fiscal 2006 with a restated balance of \$539,163 and ended fiscal 2007 with a balance of \$565,948.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$56,837 at June 30, 2006 to \$15,055 at June 30, 2007, representing a decrease of approximately 73.5%. The decrease is a result of a prior period adjustment to correct the reported fixed asset amounts and revenue increases not keeping pace with salary and supply expense increases.

BUDGETARY HIGHLIGHTS

The District's receipts were \$13,080 less than the budgeted receipts.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year. In the individual functions, the amounts actually expended exceeded the budget in the support services and other expenditures functions. More detail can be found in the supplementary information section as required.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had invested \$ 5.953 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$250,043.

Figure A-6 Capital Assets (expressed in thousands)

	Governmental Activities		Business type Activities		Total School District		Total % Change
	June 30		June 30		June 30		
	2006	2007	2006	2007	2006	2007	
Land	\$ 51	\$ 51	\$ -	\$ -	\$ 51	\$ 51	0.000%
Buildings & Improvements	5,585	5,489	-	-	5,585	5,489	-1.71%
Furniture & Equipment	812	338	82	75	894	413	-53.80%
Totals	\$6,448	\$5,878	\$ 82	\$ 75	\$6,530	\$5,953	-8.83%

Long-Term Debt

At June 30, 2007, the District had \$4,465,000 in General Obligations Bonds outstanding, \$50,000 in Notes Payable outstanding, \$35,889 in Lease Obligations and \$104,203 in early retirement obligations. This is a total decrease of nearly \$395,000 in long-term debt from the prior year. The decrease is due largely to the scheduled repayments and no new issuances. Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The financial history of the State of Iowa's support for public K-12 schools has translated into restricted levels of state aid funding for education at the local level. Future needs of the district will continue to grow and it is hoped that allowable growth would match the needs of public K-12 education.
- District enrollment increased in fiscal year 2006-2007 by 5 students to a budget enrollment of 683. Under Iowa's school finance formula, funding is highly dependent upon enrollment. During the 2006-2007 school-year, West Sioux students who open enroll out to other districts increased by 14 students, from 57 to 71. Because West Sioux is the resident district, the student is counted for state funding, but then funding is paid to the receiving district. Future enrollment stability is a critical element in maintaining a sound financial foundation.
- The District annually negotiates a one-year contract with the West Sioux Education Teacher Association (WSETA). Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Paula Bartunek, Business Manager at the West Sioux Community School District, 1300 Avenue P, Hawarden, IA 51023 or 712-551-1461.

WEST SIOUX COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities	Business Type Activity	Total
ASSETS			
Cash and Pooled Investments	\$ 1,473,340	\$ 34,592	\$ 1,507,932
Receivables:			
Property Tax	130,811	-	130,811
Succeeding Year Property Tax	2,201,242	-	2,201,242
Accrued Interest	805	-	805
Accounts	117,064	15,537	132,601
Internal Balances	103,741	(103,741)	-
Due from Other Governments	32,955	-	32,955
Restricted Assets:			
ISCAP Investments	1,531,826	-	1,531,826
ISCAP Interest Receivable	17,608	-	17,608
Inventories	-	3,302	3,302
Land	51,375	-	51,375
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	5,826,676	74,924	5,901,600
Total Assets	11,487,443	24,614	11,512,057
LIABILITIES			
Accounts Payable	147,554	9,559	157,113
Salaries and Benefits Payable	645,405	-	645,405
Accrued Interest Payable	17,461	-	17,461
Deferred Revenue - Succeeding Year Taxes	2,201,242	-	2,201,242
ISCAP Unamortized Premium	8,151	-	8,151
ISCAP Interest Payable	14,965	-	14,965
Noncurrent Liabilities:			
Due Within One Year:			
ISCAP Warrants Payable	1,535,000	-	1,535,000
Bonds Payable	320,000	-	320,000
Lease Obligations Payable	35,889	-	35,889
Note Payable	50,000	-	50,000
Early Retirement Payable	23,831	-	23,831
Due in More Than One Year:			
Early Retirement Payable	80,372	-	80,372
Bonds Payable	4,145,000	-	4,145,000
Total Liabilities	9,224,870	9,559	9,234,429
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	1,327,162	74,924	1,402,086
Restricted for:			
Debt Service	28,767	-	28,767
Management Levy	184,865	-	184,865
Other Special Revenue Purposes	134,208	-	134,208
Unrestricted	587,571	(59,869)	527,702
Total Net Assets	\$ 2,262,573	\$ 15,055	\$ 2,277,628

See Accompanying Notes to Financial Statements

**WEST SIOUX COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants Contributions	Capital Grants Contributions
Governmental Activities:				
Instruction:				
Regular Instruction	\$ 2,681,654	\$ 124,530	\$ 330,927	\$ -
Special Instruction	1,479,413	29,430	359,032	-
Other Instruction	739,345	475,388	6,158	-
Support Services:				
Student Services	199,946	11,916	1,500	-
Instructional Staff Services	374,433	-	-	-
Administration Services	720,198	3,300	-	-
Operation and Maintenance	658,988	345	-	-
Transportation Services	291,107	-	33,192	-
Non-instructional Programs	1,561	-	1,561	-
Other Expenditures:				
Facilities Acquisition and Construction Services	141	-	-	-
Long-term Debt Interest	192,357	-	-	-
AEA Flowthrough	242,252	-	242,252	-
Total governmental activities	<u>7,581,395</u>	<u>644,909</u>	<u>974,622</u>	<u>-</u>
Business Type Activity:				
Non-instructional Programs				
Food Service Operations	<u>341,452</u>	<u>139,152</u>	<u>188,909</u>	<u>-</u>
Total	<u>\$ 7,922,847</u>	<u>\$ 784,061</u>	<u>\$ 1,163,531</u>	<u>\$ -</u>
General Revenues:				
Property Tax Levied For:				
General Purposes				
Debt Service				
Capital Outlay				
Instructional Support Surtax				
Local Option Sales Tax				
Unrestricted State Grants				
Unrestricted Investment Earnings				
Other				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning				
Prior Period Adjustment				
Net assets - beginning, as restated				
Net assets - ending				

See Accompanying Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activity	Total
\$ (2,226,197)		\$ (2,226,197)
(1,090,951)		(1,090,951)
(257,799)		(257,799)
(186,530)		(186,530)
(374,433)		(374,433)
(716,898)		(716,898)
(658,643)		(658,643)
(257,915)		(257,915)
-		-
(141)		(141)
(192,357)		(192,357)
-		-
<u>(5,961,864)</u>		<u>(5,961,864)</u>
	\$ (13,391)	(13,391)
<u>(5,961,864)</u>	<u>(13,391)</u>	<u>(5,975,255)</u>
1,833,807	-	1,833,807
114,411	-	114,411
139,795	-	139,795
136,867	-	136,867
452,548	-	452,548
3,167,002	-	3,167,002
85,163	369	85,532
37,438	652	38,090
<u>5,967,031</u>	<u>1,021</u>	<u>5,968,052</u>
5,167	(12,370)	(7,203)
2,688,323	56,837	2,745,160
<u>(430,917)</u>	<u>(29,412)</u>	<u>(460,329)</u>
2,257,406	27,425	2,284,831
<u>\$ 2,262,573</u>	<u>\$ 15,055</u>	<u>\$ 2,277,628</u>

See Accompanying Notes to Financial Statements

**WEST SIOUX COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007**

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Pooled Investments	\$ 581,952	\$ 474,470	\$ 416,918	\$ 1,473,340
Receivables:				
Property Tax	32,607	90,673	7,531	130,811
Succeeding Year Property Tax	1,762,265	-	438,977	2,201,242
Accrued Interest	-	805	-	805
Accounts	117,064	-	-	117,064
Due from Other Funds	187,613	-	-	187,613
Due from Other Governments	32,955	-	-	32,955
Restricted Assets:				
ISCAP Investments	1,531,826	-	-	1,531,826
ISCAP Interest Receivable	17,608	-	-	17,608
Total Assets	<u>4,263,890</u>	<u>565,948</u>	<u>863,426</u>	<u>5,693,264</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	138,196	-	9,358	147,554
Due to Other Funds	-	-	83,872	83,872
Salaries and Benefits Payable	645,405	-	-	645,405
Early Retirement Payable	-	-	23,831	23,831
Deferred Revenue - Succeeding Year Taxes	1,762,265	-	438,977	2,201,242
ISCAP Unamortized Premium	8,151	-	-	8,151
ISCAP Interest Payable	14,965	-	-	14,965
ISCAP Warrants Payable	1,535,000	-	-	1,535,000
Total Liabilities	<u>4,103,982</u>	<u>-</u>	<u>556,038</u>	<u>4,660,020</u>
Fund Balances:				
Reserved for:				
Debt Service	-	-	46,228	46,228
Unreserved for:				
General Fund	159,908	-	-	159,908
Special Revenue Fund	-	-	261,160	261,160
Capital Project Fund	-	565,948	-	565,948
Total Fund Balances	<u>159,908</u>	<u>565,948</u>	<u>307,388</u>	<u>1,033,244</u>
Total Liabilities and Equity	<u>\$ 4,263,890</u>	<u>\$ 565,948</u>	<u>\$ 863,426</u>	<u>\$ 5,693,264</u>

See Accompanying Notes to Financial Statements

**WEST SIOUX COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2007**

Amounts reported for Governmental Activities in the Statement of Net assets are different because:

Total Fund Balance - Governmental Funds (page 16)	\$ 1,033,244
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	5,878,051
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(17,461)
Long-term liabilities, including bonds payable, lease obligations payable, and early retirement payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(4,631,261)</u>
Total Net Assets - Governmental Activities (page 13)	<u><u>\$ 2,262,573</u></u>

See Accompanying Notes to Financial Statements

WEST SIOUX COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUE:				
Local Sources:				
Local Tax	\$ 1,820,356	\$ 452,548	\$ 404,524	\$ 2,677,428
Tuition	148,739	-	-	148,739
Other	168,209	8,361	450,675	627,245
State Sources	3,753,054	-	-	3,753,054
Federal Sources	380,096	-	-	380,096
Total Revenue	6,270,454	460,909	855,199	7,586,562
EXPENDITURES:				
Current:				
Instruction:				
Regular Instruction	2,484,617	-	25,931	2,510,548
Special Instruction	1,492,013	-	-	1,492,013
Other Instruction	330,716	-	409,941	740,657
Support Services:				
Student Services	199,534	-	-	199,534
Instructional Staff Services	374,433	-	-	374,433
Administration Services	727,603	-	-	727,603
Operation and Maintenance	585,300	-	95,795	681,095
Transportation Services	241,548	-	60,726	302,274
Non-instructional Programs	1,561	-	-	1,561
Other Expenditures:				
Facilities Acquisition and Construction Services	-	-	11,090	11,090
Long-term Debt:				
Principal	-	-	388,792	388,792
Interest and Fiscal Charges	-	86	215,532	215,618
AEA Flowthrough	242,252	-	-	242,252
Total Expenditures	6,679,577	86	1,207,807	7,887,470
Excess (Deficiency) of Revenues Over Expenditures	(409,123)	460,823	(352,608)	(300,908)
Other Financing Sources (Uses):				
Transfers In	-	-	526,830	526,830
Transfers Out	-	(434,038)	(92,792)	(526,830)
Sale of Capital Assets	-	-	1,250	1,250
Total Other Financing Sources (Uses)	-	(434,038)	435,288	1,250
Net Change in Fund Balances	(409,123)	26,785	82,680	(299,658)
Fund Balances - Beginning of Year	569,031	504,234	224,708	1,297,973
Prior Period Adjustment	-	34,929	-	34,929
Fund Balances - Beginning of Year, as restated	569,031	539,163	224,708	1,332,902
Fund Balances - End of Year	\$ 159,908	\$ 565,948	\$ 307,388	\$ 1,033,244

See Accompanying Notes to Financial Statements

**WEST SIOUX COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 18)	\$ (299,658)
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Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation exceeded Capital outlays in the current year as follows:

Expenditures for capital assets	\$ 144,229	
Depreciation expense	<u>(242,503)</u>	(98,274)

Accrued interest expense that does not require current financial resources.	23,261
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Governmental funds report the proceeds from the sale of fixed assets as revenue whereas the statement of activities reports the gain on the sale of fixed assets. This is the effect on the change in net assets on the statement of activities.

(6,219)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	(2,735)
------------------	---------

The repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. The principal paid on long-term debt during the current year was as follows:

Bonds payable	305,000	
Notes payable	50,000	
Lease obligations payable	<u>33,792</u>	<u>388,792</u>

Change in net assets of governmental activities (page 15)	<u>\$ 5,167</u>
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WEST SIOUX COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2007

	Business Type Activity School Nutrition Fund
ASSETS	
Current Assets:	
Cash and Pooled Investments	\$ 34,592
Accounts Receivable	15,537
Inventories	3,302
Total Current Assets	<u>53,431</u>
Noncurrent Assets:	
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	<u>74,924</u>
Total Noncurrent Assets	<u>74,924</u>
Total Assets	<u>128,355</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	9,559
Due To Other Funds	103,741
Total Current Liabilities	<u>113,300</u>
Total Liabilities	<u>113,300</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	74,924
Unrestricted	(59,869)
Total Net Assets	<u>\$ 15,055</u>

See Accompanying Notes to Financial Statements

**WEST SIOUX COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	Business Type Activity School Nutrition Fund
Operating Revenues:	
Charges for services	\$ 139,152
Miscellaneous	652
Total Operating Revenue	<u>139,804</u>
Operating Expenditures:	
Non-Instructional Programs:	
Food Service Operations:	
Salaries	91,665
Benefits	52,713
Purchased Services	487
Supplies	187,769
Depreciation	7,540
Loss on Disposal of Capital Assets	1,278
Total Operating Expenses	<u>341,452</u>
Operating (Loss)	<u>(201,648)</u>
Non-Operating Revenues :	
Interest Income	369
State Lunch Reimbursements	4,050
National School Lunch Program	162,824
Federal Food Commodities Received	22,035
Total Non-Operating Revenues	<u>189,278</u>
Change in net assets	(12,370)
Net Assets - beginning	56,837
Prior Period Adjustment	<u>(29,412)</u>
Net Assets- beginning, as restated	<u>27,425</u>
Net Assets - ending	<u><u>\$ 15,055</u></u>

See Accompanying Notes to Financial Statements

**WEST SIOUX COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	Business Type Activity School Nutrition Fund
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 139,152
Cash received from miscellaneous operating activities	652
Cash paid to employees for services	(144,378)
Cash paid to suppliers for goods or services	(160,361)
Total cash (used) by operating activities	<u>(164,935)</u>
Cash flows from noncapital financing activities:	
State grants received	4,050
Federal grants received	152,735
Increase in due from other funds	18,078
Total cash provided by noncapital financing activities	<u>174,863</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(24,113)</u>
Cash flows from investing activities:	
Interest on investments	<u>369</u>
Net decrease in cash and cash equivalents	(13,816)
Cash and cash equivalents - beginning of year	<u>48,408</u>
Cash and cash equivalents - end of year	<u><u>34,592</u></u>
Reconciliation of operating income (loss) to net cash used in operating activities:	
Operating (loss)	(201,648)
Adjustments to reconcile net operating (loss) to net cash (used) by operating activities:	
Depreciation expense	7,540
Commodities used	22,035
Loss on disposal of capital assets	1,278
(Increase) decrease in assets and increase (decrease) in liabilities:	
Purchased Inventories	741
Accounts Payable	5,119
Net cash (used) in operating activities	<u><u>\$ (164,935)</u></u>
Non-cash investing, capital and financing activities:	
Federal food commodities received	<u><u>\$ 22,035</u></u>

See Accompanying Notes to Financial Statements

WEST SIOUX COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The West Sioux Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Hawarden and Ireton, Iowa, and the predominate agricultural territory in Sioux and Plymouth Counties in Iowa. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

A. Reporting Entity

For financial reporting purposes, West Sioux Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. West Sioux Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

These financial statements have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) that apply to governmental units. All funds created under the authority of the State Code of Iowa, the operations of which are under the control of the District's governing body, and by financial reporting standards for governmental units are included herewith.

The Governmental Accounting Standards Board is responsible for establishing U.S. GAAP for state and local government through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The District applies only the applicable FASB pronouncements issued prior to November 30, 1989 in accounting and reporting its proprietary operations. The more significant accounting policies established in U.S. GAAP and used by the District are discussed below.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Sioux County Assessor's Conference Board.

B. Basic Financial Statements- Government-Wide Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The District's general, special revenue, debt service and capital project funds are classified as governmental activities. The District's school nutrition fund is classified as a business-type activity.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-

WEST SIOUX COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The District first uses restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions and business-type activities. The functions are also supported by general government expenses (including depreciation) by related program revenues, operating grants, and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The District does not allocate indirect costs.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

C. Fund Financial Statements

The District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three types: governmental, proprietary and fiduciary. The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column in the fund financial statements. GASB No. 34 sets forth minimum criteria for the determination of major funds. The various funds reported in the financial statements are grouped into fund types as follows:

GOVERNMENTAL FUND TYPES

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities, except those accounted for in proprietary funds, are accounted for through governmental funds. The measurement focus is on determination of financial position and changes in financial position, rather than upon net income determination. The following is a description of the governmental funds of the District.

General Fund – The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund accounts for the instructional and most of the support service programs of the District's operations. Revenue of the General Fund consists primarily of local property taxes and state government aid.

Special Revenue Fund – Special Revenue Funds account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted for specified purposes. Each of the District's Special Revenue Funds has been established to reflect restricted revenue sources provided to school districts by the Iowa State Statutes.

WEST SIOUX COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Debt Service Fund – The Debt Service Fund accounts for the accumulation of resources for and the payment of general long-term debt principal and interest.

Capital Projects Fund – Capital Project Funds account for all resources used in the acquisition and construction of capital facilities.

PROPRIETARY FUND TYPES

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. Operating revenues and expenses are distinguished from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of enterprise funds are charges to customers for services. Operating expenses consist of cost of sales and services, administrative expenses and depreciation on capital assets. The U.S. generally accepted accounting principles used are those applicable to similar businesses in the private sector.

Enterprise Funds – Enterprise Funds are used to account for operations: (a) which are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The District reports the following major governmental funds:

General Fund – See the description on the previous page. The General Fund is always considered to be a major fund.

Capital Projects – To account for the collection of a 1% school local sales and services tax to be expended for school infrastructure needs and property tax relief, as well as funds for the construction of the school's new track.

The District reports the following major enterprise fund:

School Nutrition – Accounts for the food service operations of the District.

D. Basis of Accounting/Measurement Focus

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

WEST SIOUX COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

E. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa School Cash Anticipation Program which is valued at amortized cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

WEST SIOUX COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of \$5,000 for governmental capital assets and \$500 for school nutrition capital assets.

Capital Assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end, excluding grant receivables.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

WEST SIOUX COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

F. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, expenditures in the support services and other expenditures functional areas exceeded the amounts budgeted.

NOTE 2 – CASH AND POOLED INVESTMENTS

The District's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies, certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2007, the District had investments in the Iowa School Cash Anticipation Program as follows:

	Fair Value	Credit Risk
Guaranteed Interest Contract	\$ 1,531,826	Not Rated

NOTE 3 – INTERFUND TRANSFERS

The detail of short-term interfund transfers for the year ended June 30, 2007 is as follows:

Transfer To	Transfer From	Amount
Debt Service Fund	PPEL	\$ 92,792
Debt Service Fund	Capital Project	434,038
Total		<u>\$ 526,830</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

NOTE 4 – DUE FROM AND DUE TO OTHER FUNDS

The detail of short-term interfund receivables and payables at June 30, 2007 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	PPEL Fund	\$ 78,172
General Fund	Debt Service Fund	5,700
General Fund	School Nutrition Fund	103,741
		<u>\$ 187,613</u>

WEST SIOUX COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2007

NOTE 4 – DUE FROM AND DUE TO OTHER FUNDS (CONTINUED)

The School Nutrition Fund is repaying the General Fund for payroll for School Nutrition that is paid out of the General Fund. The Debt Service Fund is repaying General Fund for money advanced for debt payment. The Physical Plant and Equipment fund is repaying the General Fund for money advanced for purchase of bus.

NOTE 5 – IOWA SCHOOL CASH ANTICIPATION PROGRAM (ISCAP)

The District participates in the Iowa School Cash Anticipation (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semi-annual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semi-annual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2007 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2007-08A	6/28/07	6/28/08	\$ 761,795	\$ 228	\$ 763,000	\$ 194
2006-07B	1/26/07	1/25/08	770,031	17,380	772,000	14,771
			<u>\$ 1,531,826</u>	<u>\$ 17,608</u>	<u>\$ 1,535,000</u>	<u>\$ 14,965</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2007 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2006-07A	\$ -	\$ 300,000	\$ 300,000	\$ -

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2005-06B	4.5%	4.772%
2006-07A	4.5%	5.676%
2006-07B	4.25%	5.315%
2007-08A	4.5%	5.455%

WEST SIOUX COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2007

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007 was as follows:

	Balance July 1, 2006	Additions	Deletions	Prior Period Adjustment	Balance June 30, 2007
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 51,375	\$ -	\$ -	\$ -	\$ 51,375
Total capital assets not being depreciated	51,375	-	-	-	51,375
Capital assets being depreciated:					
Buildings	8,886,764	19,702	-	(17,523)	8,888,943
Improvements other than buildings	378,794	-	-	(9,902)	368,892
Furniture and equipment	1,596,885	124,527	60,264	(711,428)	949,720
Total capital assets being depreciated	10,862,443	144,229	60,264	(738,853)	10,207,555
Less: Accumulated Depreciation for:					
Buildings & Improvements	3,680,859	181,153	-	(92,976)	3,769,036
Furniture and equipment	784,569	61,350	54,045	(180,031)	611,843
Total Accumulated Depreciation	4,465,428	242,503	54,045	(273,007)	4,380,879
Total capital assets being depreciated, net	6,397,015	(98,274)	6,219	(465,846)	5,826,676
Governmental activities capital assets, net	\$ 6,448,390	\$ (98,274)	\$ 6,219	\$ (465,846)	\$ 5,878,051

	Balance July 1, 2006	Additions	Deletions	Prior Period Adjustment	Balance June 30, 2007
Business-type Activity:					
Furniture and equipment	\$ 203,212	\$ 24,114	\$ 6,389	\$ (67,272)	\$ 153,665
Less: Accumulated Depreciation	121,314	7,540	5,111	(45,002)	78,741
Business-type activity capital assets, net	\$ 81,898	\$ 16,574	\$ 1,278	\$ (22,270)	\$ 74,924

Depreciation expense was charged to the functions as follows:

Governmental Activity:	
Regular Instruction	\$ 168,371
Other Instruction	18,390
Student Services	412
Administration Services	3,300
Operation and Maintenance	7,440
Transportation Services	44,590
Total depreciation expense – governmental activities	<u>\$ 242,503</u>
Business-type activity:	
Food Service Operations	<u>\$ 7,540</u>

WEST SIOUX COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2007

NOTE 6 – CAPITAL ASSETS – (CONTINUED)

Reconciliation of Invested in Capital Assets:

	Governmental Activities	Business- Type Activities
Land	\$ 51,375	\$ -
Capital Assets (net of accumulated depreciation)	5,826,676	74,924
Less: Bonds Payable	(4,465,000)	-
Capital Leases	(35,889)	-
Capital Loan Notes Payable	(50,000)	-
Invested in Capital Assets, Net of Related Debt	<u>\$ 1,327,162</u>	<u>\$ 74,924</u>

NOTE 7 – LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2007 are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligations Bonds	\$ 4,770,000	\$ -	\$ 305,000	\$ 4,465,000	\$ 320,000
Notes Payable	101,674	-	51,674	50,000	50,000
Lease Obligations	69,681	-	33,792	35,889	35,889
Early Retirement	108,702	27,619	32,118	104,203	23,831
Governmental Activities Long-Term Liabilities	<u>\$ 5,050,057</u>	<u>\$ 27,619</u>	<u>\$ 422,584</u>	<u>\$ 4,655,092</u>	<u>\$ 429,720</u>

General Obligation Bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and projects. General obligation bonds have been issued for governmental activities. These bonds are direct obligations and pledge the full faith and credit of the District.

General obligation bonds as of June 30, 2007 are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amounts</u>
Governmental Activities – 1998 Series A	4.00-4.50%	\$ 4,465,000
Governmental Activities – 1997A Capital Loan Notes	5.00%	<u>50,000</u>
		<u>\$ 4,515,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities Principal</u>	<u>Interest</u>
2008	\$ 370,000	\$ 196,380
2009	335,000	180,760
2010	350,000	166,858
2011	365,000	152,157
2012	380,000	136,645
2013-2017	2,205,000	418,495
2018	510,000	22,950
Total	<u>\$ 4,515,000</u>	<u>\$ 1,273,255</u>

WEST SIOUX COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2007

NOTE 7 – LONG-TERM LIABILITIES – (CONTINUED)

Capital Leases

The District has entered into lease agreements as lessee for HVAC, lighting and ceiling upgrades made in 2000. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their minimum lease payments as of the inception date.

The following is a schedule of future minimum lease payments under capital lease, together with the net present value of the minimum lease payments as of June 30, 2007.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 35,889	\$ 1,653	\$ 37,542

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Teachers and administrators who are at least 55 years of age and who have 15 years of continuous service with the District are eligible for Board approved early retirement compensation. Employees making application for early retirement will be allowed to remain on the group's health insurance plan at a rate of \$455 per month for individual coverage paid for by the District to end when the employee is Medicare eligible. Those who retired prior to the most recent plan revision will have the entire premium amount paid by the District, which for fiscal year 2008 will be \$480 per month. Early retirement benefits paid during the year ended June 30, 2007, totaled \$32,118 for the six current recipients. The cost of early retirement payments liquidated within the next accounting cycle is recorded as a liability of the Special Revenue, Management Levy Fund, in the fund financial statements. The non-current portion of the early retirement is recorded in the government-wide financial statements.

NOTE 8 – PENSION AND RETIREMENT BENEFITS

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits that are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006, and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$219,455, \$192,902, and \$181,781 respectively, equal to the required contributions for each year.

NOTE 9 – RISK MANAGEMENT

West Sioux Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

WEST SIOUX COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2007

NOTE 10 – AREA EDUCATION AGENCY

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$242,252 for the year ended June 30, 2007 and is recorded in the General Fund.

NOTE 11 – DEFICIT FUND BALANCE

As of June 30, 2007, the following fund had a deficit fund balance in the amount shown:

Special Revenue:
PPEL \$ (57,913)

The deficit will be funded through future property tax revenue.

NOTE 12 – PRIOR PERIOD ADJUSTMENTS

For the year ended June 30, 2006, in the Capital Projects Fund the June 2006 Local Option Sales Tax receipt received in August 2006 was not correctly recorded as an Accounts Receivable at June 30, 2006. The error has been corrected and has had the following effect on the beginning fund balance:

	Capital Projects Fund
Beginning Fund Balance, As Previously Reported	\$ 504,234
Prior Period Adjustment	34,929
Beginning Fund Balance, As Corrected	<u>\$ 539,163</u>

In the financial statements for the year ended June 30, 2006, an error was made in accounting for the fixed asset activity in the School Nutrition Fund. Items below the District's capitalization policy were being recorded on the District's financial statements and, the statements were not correctly adjusted to reflect the fiscal year 2006 fixed asset additions and deletions. The error has been corrected and has had the following effect on the beginning fund balance:

	School Nutrition Fund
Beginning Net Assets, As Previously Reported	\$ 56,837
Prior Period Adjustment	(29,412)
Beginning Net Assets, As Corrected	<u>\$ 27,425</u>

For the year ended June 30, 2006, an error was made in the accounting for the Governmental Fixed Assets reported only on the government-wide statement of net assets. Items below the District's capitalization policy were incorrectly included on the June 30, 2006 statement. The error has been corrected and has had the following effect on the beginning balances:

	Governmental Activities
Beginning Net Assets, As Previously Reported	\$ 2,688,323
Prior Period Adjustment	(465,846)
Beginning Net Assets, As Corrected (Before effect of Prior Period Adjustment in the Capital Projects Fund)	<u>\$ 2,222,477</u>

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REQUIRED SUPPLEMENTARY INFORMATION

WEST SIOUX COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN BALANCES
BUDGET AND ACTUAL, ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Governmental	Proprietary	Total	Final to
	Original	Amended	Funds	Fund	Actual	Actual
			Actual	Actual		Variance
REVENUE:						
Local Sources:						
Local Tax	\$ 2,276,617	\$ 2,276,617	\$ 2,677,428	\$ -	\$ 2,677,428	\$ 400,811
Tuition	170,000	170,000	148,739	-	148,739	(21,261)
Other	1,249,194	1,249,194	627,245	140,173	767,418	(481,776)
State Sources	3,709,913	3,709,913	3,753,054	4,050	3,757,104	47,191
Federal Sources	523,000	523,000	380,096	184,859	564,955	41,955
Total Revenue	7,928,724	7,928,724	7,586,562	329,082	7,915,644	(13,080)
EXPENDITURES:						
Current:						
Instruction	5,537,642	5,537,642	4,743,218	-	4,743,218	794,424
Support Services	2,154,987	2,154,987	2,284,939	-	2,284,939	(129,952)
Non-instructional Programs	469,949	469,949	1,561	341,452	343,013	126,936
Other Expenditures	806,187	806,187	857,752	-	857,752	(51,565)
Total Expenditures	8,968,765	8,968,765	7,887,470	341,452	8,228,922	739,843
Excess (Deficiency) of Revenues Over Expenditures	(1,040,041)	(1,040,041)	(300,908)	(12,370)	(313,278)	726,763
Other Financing Sources (Uses):						
Transfers In	516,530	516,530	526,830	-	526,830	10,300
Transfers Out	(516,530)	(516,530)	(526,830)	-	(526,830)	(10,300)
Sale of Capital Assets	-	-	1,250	-	1,250	1,250
Total Other Financing Sources (Uses)	-	-	1,250	-	1,250	1,250
Net Change in Fund Balances	(1,040,041)	(1,040,041)	(299,658)	(12,370)	(312,028)	728,013
Fund Balances - Beginning of Year	1,354,810	1,354,810	1,297,973	56,837	1,354,810	-
Prior Period Adjustment	-	-	34,929	(29,412)	5,517	5,517
Fund Balances - Beginning of Year, as restated	1,354,810	1,354,810	1,332,902	27,425	1,360,327	5,517
Fund Balances - End of Year	\$ 314,769	\$ 314,769	\$ 1,033,244	\$ 15,055	\$ 1,042,782	\$ 728,013

WEST SIOUX COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional area level, not at the fund or fund type level. This level of control is at a level higher than the individual fund. It is necessary, therefore, to aggregate the expenditures of governmental fund types with expenses of proprietary fund types on a functional area basis and to compare such functional area totals to functional area budgeted totals in order to demonstrate legal compliance with budget. The Code of Iowa also provides that District disbursements in the General Fund may not exceed the amount authorized by the school finance formula. During the year ended June 30, 2007, the District had no budget amendments.

During the year ended June 30, 2007, disbursements in the Support Services and Other Expenditures functions exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

WEST SIOUX COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

Schedule 1

REVENUES:

Local Sources:

Local Tax:

Property Tax	\$ 1,682,220
Mobile Home Tax	1,269
Surtax	136,867
	<u>1,820,356</u>

Other Local Sources:

Interest on Investments	77,005
Tuition from Individuals	10,550
Tuition from Other Districts	138,189
Rent	345
Miscellaneous	90,859
	<u>316,948</u>
	<u>2,137,304</u>

State Sources:

State Foundation Aid	3,147,034
Instructional Support State Aid	18,699
Educational Excellence Program:	
Phase I	33,772
Phase II	58,509
Non-Public Transportation Aid	33,192
Non-Public Textbook and Technology Aid	1,160
Teacher Compensation	145,934
AEA Flow-Through	242,252
Iowa Early Intervention Block Grant	43,506
Other State Aid	28,996
	<u>3,753,054</u>

Federal Sources:

Title I Grants to Local Educational Agencies	114,164
Safe and Drug-Free Schools and Communities-States Grants	1,561
State Grants for Innovative Programs	1,270
Vocational Education - Basic Grants to States	4,998
Special Education - Grants to States	41,393
Improving Teacher Quality State Grants	29,512
Medicaid	112,116
Other	75,082
	<u>380,096</u>

Total Revenue

\$ 6,270,454

Continued

WEST SIOUX COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2007

Schedule 1 (Continued)

EXPENDITURES:

Instruction:

Regular Instruction:

Salaries	\$ 1,626,118
Benefits	439,220
Services	348,983
Supplies	56,258
Property	2,585
Other	11,453
	<u>2,484,617</u>

Special Education Instruction:

Salaries	927,284
Benefits	293,370
Services	204,561
Supplies	28,730
Property	34,949
Other	3,119
	<u>1,492,013</u>

Vocational Instruction:

Salaries	105,926
Benefits	80,665
Supplies	8,292
	<u>194,883</u>

Co-curricular Instruction:

Salaries	113,934
Benefits	14,481
Property	6,258
	<u>134,673</u>

Nonpublic Instruction:

Supplies	1,160
	<u>1,160</u>

Total Instruction

\$ 4,307,346

Continued

**WEST SIOUX COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2007**

Schedule 1 (Continued)

Support Services:

Student Services:

Guidance Services:

Salaries	\$ 82,381
Benefits	22,909
Services	2,808
Supplies	405
Other	40
	<u>108,543</u>

Health Services:

Salaries	23,538
Benefits	4,521
Services	50,743
Supplies	12,131
Other	58
	<u>90,991</u>

Total Student Services

199,534

Support Services:

Instructional Staff Services:

Improvement of Instruction Services:

Salaries	114,503
Benefits	16,986
Services	350
Supplies	50,057
Property	74,172
	<u>256,068</u>

Educational Media Services:

Salaries	77,432
Benefits	26,435
Supplies	10,273
Property	4,225
	<u>118,365</u>

Total Instructional Staff Services

\$ 374,433

Continued

**WEST SIOUX COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2007**

Schedule 1 (Continued)

Support Services:

Administration Services:

Executive Administration:

Salaries	\$ 122,861
Benefits	40,143
Services	3,595
Supplies	2,419
Other	2,341
	<u>171,359</u>

School Administration:

Salaries	221,081
Benefits	87,112
Services	637
Supplies	1,030
Other	1,488
	<u>311,348</u>

Business Administration:

Salaries	102,298
Benefits	31,056
Services	19,572
Supplies	6,638
Iowa School Cash Anticipation Program:	
Interest	50,891
Other	1,440
	<u>211,895</u>

Board of Education:

Services	26,476
Supplies	3,034
Other	3,491
	<u>33,001</u>

Total Administration Services:

\$ 727,603

Continued

WEST SIOUX COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2007

Schedule 1 (Continued)

Support Services:

Plant Operation and Maintenance:

Salaries	\$ 194,742
Benefits	51,185
Services	79,891
Supplies	222,693
Property	36,739
Other	50
	<u>585,300</u>

Support Services:

Student Transportation:

Salaries	118,354
Benefits	22,664
Services	39,347
Supplies	59,388
Other	1,795
	<u>241,548</u>

Total Support Services

2,128,418

Non-instructional Programs:

Community Services:

Services	735
Supplies	826
	<u>1,561</u>

Other Expenditures:

AEA Flow-Through	<u>242,252</u>
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Total Expenditures	<u>6,679,577</u>
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(Deficiency) of Revenues Over Expenditures	<u>(409,123)</u>
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Net Change in Fund Balance	(409,123)
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Fund Balance - Beginning of Year	<u>569,031</u>
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Fund Balance - End of Year	<u><u>\$ 159,908</u></u>
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**WEST SIOUX COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
GOVERNMENTAL NONMAJOR FUNDS
JUNE 30, 2007**

Schedule 2

	Special Revenue Funds					
	Management Levy	PPEL Fund	Student Activity	Debt Service	Total	
ASSETS						
Cash and Pooled Investments	\$ 205,785	\$ 17,718	\$ 143,566	\$ 49,849	\$ 416,918	
Receivables:						
Property Tax	2,911	2,541	-	2,079	7,531	
Succeeding Year Property Tax	175,000	141,646	-	122,331	438,977	
Total Assets	383,696	161,905	143,566	174,259	863,426	
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable	-	-	9,358	-	9,358	
Due to Other Funds	-	78,172	-	5,700	83,872	
Early Retirement Payable	23,831	-	-	-	23,831	
Deferred Revenue - Succeeding Year Property Taxes	175,000	141,646	-	122,331	438,977	
Total Liabilities	198,831	219,818	9,358	128,031	556,038	
Fund Balances:						
Reserved for:						
Debt Service	-	-	-	46,228	46,228	
Unreserved for:						
Special Revenue Fund	184,865	(57,913)	134,208	-	261,160	
Total Fund Balances (Deficit)	184,865	(57,913)	134,208	46,228	307,388	
Total Liabilities and Equity	\$ 383,696	\$ 161,905	\$ 143,566	\$ 174,259	\$ 863,426	

**WEST SIOUX COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL NONMAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

Schedule 3

Special Revenue Funds					
	Management Levy	Student Activity	PPEL Fund	Debt Service	Total
REVENUE:					
Local Sources:					
Local Tax	\$ 150,318	\$ -	\$ 139,795	\$ 114,411	\$ 404,524
Other	15,369	432,589	2,717	-	450,675
Total Revenue	165,687	432,589	142,512	114,411	855,199
EXPENDITURES:					
Current:					
Instruction:					
Regular Instruction	25,931	-	-	-	25,931
Other Instruction	-	409,941	-	-	409,941
Support Services:					
Operation and Maintenance	95,795	-	-	-	95,795
Transportation Services	-	-	60,726	-	60,726
Other Expenditures:					
Facilities Acquisition and Construction	-	-	11,090	-	11,090
Long-term Debt:					
Principal	-	-	-	388,792	388,792
Interest and Fiscal Charges	-	-	-	215,532	215,532
Total Expenditures	121,726	409,941	71,816	604,324	1,207,807
Excess(Deficiency) of Revenues Over Expenditures	43,961	22,648	70,696	(489,913)	(352,608)
Other Financing Sources (Uses):					
Transfers In	-	-	-	526,830	526,830
Transfers Out	-	-	(92,792)	-	(92,792)
Sale of Capital Assets	-	-	1,250	-	1,250
Total Other Financing Sources (Uses)	-	-	(91,542)	526,830	435,288
Net Change in Fund Balances	43,961	22,648	(20,846)	36,917	82,680
Fund Balances (Deficits) - Beginning of Year	140,904	111,560	(37,067)	9,311	224,708
Fund Balances (Deficits) - End of Year	\$ 184,865	\$ 134,208	\$ (57,913)	\$ 46,228	\$ 307,388

**WEST SIOUX COMMUNITY SCHOOL DISTRICT
SCHEDULE OF INDIVIDUAL STUDENT ACTIVITY ACCOUNT ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2007**

				Schedule 4	
	Balance June 30, 2006	Revenues	Expenditures	Balance June 30, 2007	
HIGH SCHOOL					
Adult Education	\$ 28	\$ -	\$ -	\$ 28	
Clearing Account	-	49,916	49,657	259	
Annual	964	2,170	-	3,134	
Newspaper-Falcon Banner	562	3,419	2,227	1,754	
Drama Club	2,531	2,682	2,518	2,695	
Drill Team	802	9,648	6,075	4,375	
Materials for Resale	3,660	8,863	6,566	5,957	
Vocal Music Group	1,142	977	1,344	775	
Band	595	3,053	3,521	127	
High School Athletics	10,179	25,489	33,285	2,383	
Concession Supplies	3,902	41,696	40,169	5,429	
Future Farmers of America	9,338	2,113	4,625	6,826	
Library Club	1,550	2,015	1,226	2,339	
Student Council	8,208	13,845	10,905	11,148	
Letterpersons' Club	597	1,432	1,827	202	
Cheerleaders	1,514	4,507	2,673	3,348	
HS Student Newspaper	3	1,557	1,509	51	
Class of 2006	89	-	-	89	
Class of 2007	544	580	449	675	
Class of 2008	1,892	1,305	2,797	400	
Class of 2009	840	833	45	1,628	
Class of 2010	-	870	-	870	
Employee Fundraiser	381	1,220	1,364	237	
High School Art Club	208	-	-	208	
National Honor Society	981	2,454	2,684	751	
Volleyball Fundraiser	1,184	10,706	9,804	2,086	
Softball Fundraiser	2,497	3,586	5,297	786	
Boys Basketball Fundraiser	1,753	19,933	21,686	-	
High School Miscellaneous Accounts	1,660	3,566	122	5,104	
Football Fundraiser	5,630	45,937	45,054	6,513	
Boy Baseball Fundraiser	1,079	22,346	23,065	360	
Girls Basketball Fundraiser	3,366	10,264	11,509	2,121	
Cross Country Fundraiser	2,834	3,474	3,304	3,004	
District Activities Fee	1,831	2,652	2,199	2,284	
Wrestling Fundraiser	652	6,162	6,240	574	
Track Fundraiser	1,024	6,528	6,876	676	
Track Resurface Project	100	-	-	100	
Prom Fund	2,000	11,443	8,563	4,880	
Math Center Fundraiser	306	2,297	2,319	284	
Falcon Joe's Coffee Shop	2,125	5,406	904	6,627	
Recycle Fund	133	-	-	133	
FCA	57	5,952	5,699	310	
Speech	792	1,711	2,458	45	
Quiz Bowl	787	1,034	1,137	684	
Interest	-	5,584	858	4,726	
Golf	-	1,417	1,413	4	
Soccer	-	1,144	1,061	83	
Washington, D.C. Trips	5,003	41,819	43,797	3,025	
High School Total	\$ 85,323	\$ 393,605	\$ 378,831	\$ 100,097	

(Continued)

WEST SIOUX COMMUNITY SCHOOL DISTRICT
SCHEDULE OF INDIVIDUAL STUDENT ACTIVITY ACCOUNT ACTIVITY - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2007

				Schedule 4
	Balance June 30, 2006	Revenues	Expenditures	Balance June 30, 2007
MIDDLE SCHOOL				
General	\$ 2,159	\$ 3,763	\$ 5,213	\$ 709
Pop	772	5,237	2,600	3,409
Magazines	1,766	8,933	5,293	5,406
Candy Sales	2,778	6,357	5,928	3,207
Pictures	999	326	-	1,325
Athletics	2,306	2,680	4,128	858
Computer Disc Resale	11	-	11	-
Interest	252	135	-	387
Assignment Notebooks	30	480	490	20
Student Participations	1,360	968	-	2,328
History Fair Account	2,131	-	-	2,131
Middle School Total	14,564	28,879	23,663	19,780
IRETON ELEMENTARY				
Revolving	2,153	592	308	2,437
Kindergarten Milk	550	-	-	550
Pictures	2,088	250	166	2,172
Book Rent	27	-	-	27
Book Fairs	563	1,852	1,631	784
Book Fines	120	20	-	140
Pop Fund	91	-	15	76
Ireton Elementary Total	5,592	2,714	2,120	6,186
HAWARDEN ELEMENTARY				
Miscellaneous	631	664	435	860
Pop	1,794	1,249	786	2,257
Picture	808	319	288	839
Book Fair	643	3,204	2,812	1,035
Library Fines	21	19	-	40
Assignment Notebooks	(95)	162	-	67
Interest	234	92	-	326
Computer Camp	1,151	808	1,006	953
Donations for School Supplies	95	-	-	95
Student Council	-	106	-	106
Box Tops for Education	799	768	-	1,567
Hawarden Elementary Total	6,081	7,391	5,327	8,145
Grand Totals	\$ 111,560	\$ 432,589	\$ 409,941	\$ 134,208

WEST SIOUX COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE YEARS ENDED JUNE 30, 2007, 2006, 2005, 2004

Schedule 5

	Modified Accrual Basis of Accounting			
	2007	2006	2005	2004
Revenues:				
Local Sources:				
Local Tax	\$ 2,677,428	\$ 2,539,452	\$ 3,230,943	\$ 2,898,455
Tuition	148,739	159,940	144,066	161,039
Other	627,245	828,216	753,478	618,025
State Sources	3,753,054	3,507,196	3,111,365	3,075,134
Federal Sources	380,096	467,033	437,105	471,604
Total	<u>7,586,562</u>	<u>7,501,837</u>	<u>7,676,957</u>	<u>7,224,257</u>
Expenditures:				
Instruction:				
Regular	2,510,548	2,329,155	2,422,967	2,207,852
Special	1,492,013	1,404,660	855,679	918,168
Other	740,657	695,246	766,328	639,521
Support Services:				
Student	199,534	172,959	140,337	134,220
Instructional Staff	374,433	261,151	245,256	314,336
Administration	727,603	666,787	554,151	526,789
Operation and maintenance of plant	681,095	615,744	652,862	639,087
Transportation	302,274	242,222	209,482	204,360
Non-instructional programs	1,561	308,456	298,995	303,979
Other Expenditures:				
Facilities Acquisition	11,090	263,963	111,095	45,258
Long-term debt:				
Principal	388,792	-	-	-
Interest and other charges	215,618	231,007	246,101	260,767
AEA Flowthrough	242,252	234,214	224,482	246,791
Total	<u>\$ 7,887,470</u>	<u>\$ 7,425,564</u>	<u>\$ 6,727,735</u>	<u>\$ 6,441,128</u>

WEST SIOUX COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

Schedule 6

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

There were no prior year audit findings.

SIGNIFICANT DEFICIENCIES:

II-A-07 Financial Accounting – Segregation of Duties

Observation – One important aspect of internal control is the segregation of duties among employees to prevent an individual from handling duties, which are incompatible. Incompatible duties, for accounting control purposes, are those duties that place a person in a position where they could both perpetuate and conceal errors or fraud. In performing our audit, we noted that one person has primary responsibility for many accounting and financial duties of the District.

Recommendation – The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Education and Superintendent remain actively involved in the financial affairs of the District to provide oversight and review functions. In addition, the District should periodically review the operating procedures and make changes as necessary to obtain the maximum internal control under the circumstances.

Response – District administration understands the nature of the weakness and the necessity for the Board and Superintendent to provide oversight and review functions. We will continue to review procedures of the District and make changes as deemed necessary and practical.

Conclusion – Response accepted.

II-B-07 Financial Reporting

Observation – During the audit, we identified material amounts of receivables, payables and capital asset additions not recorded in the District's financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

WEST SIOUX COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

Schedule 6 (Continued)

Part II: Findings Related to the Financial Statements (Continued):

Recommendation – The District should implement procedures to ensure all receivables, payables and capital asset additions are identified and included in the District's financial statements.

Response – We will double check these in the future to avoid missing any receivables, payables or capital asset transactions.

Conclusion – Response accepted.

II-C-07 Fixed Asset Management

Comment – During the course of the audit fieldwork and report preparation, it became evident that the accounting procedures and controls were not adequate. It was found that there were large variances between the fixed asset records kept by the school, those compiled by an outside third party, and those reported on prior financial statements. It was also found that amounts reported on prior financial statements included items under the District's capitalization policy. In general, it appeared the District's fixed asset procedures were not adequate.

Recommendations – The District should implement procedures to ensure all fixed asset activity is properly captured in the District's financial statements. This process will primarily need to be handled by District staff as all asset additions and deletions will need to be documented and reported to the proper individual, so the fixed asset listing is accurate, whether maintained by the District or a 3rd party.

Response – District administration understands the weakness in this area and will review the procedures to ensure assets are properly reported.

Conclusion – Response Accepted

Part III: Other Findings Related to Statutory Reporting:

III-A-07 Certified Budget – Disbursements for the year ended June 30, 2007 exceed the amounts budgeted in the support services and other expenditures functions.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – In future years if it appears expenditures may exceed the certified budget, a budget amendment will be approved.

Conclusion – Response accepted.

III-B-07 Questionable Disbursements – No disbursements were noted that they may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

WEST SIOUX COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

Schedule 6 (Continued)

Part III: Other Findings Related to Statutory Reporting (Continued):

III-C-07 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

III-D-07 Business Transactions – Business transactions between the District and District officials are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction/ Description</u>	<u>Amount</u>
Scott Vreeman, Employee's Spouse Owner of Siouxland Propane	Fuel/Repairs	\$ 32,803
Mary Johnson, District Employee Owner of Truesdell Oil Company	Gas/Fuel	\$ 42,359

In accordance with an Attorney General's opinion dated November 9, 1976, the above transactions do not appear to represent a conflict of interest as the transactions were competitively bid.

III-E-07 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

III-F-07 Board Minutes – No transactions requiring Board approval that had not been approved by the Board were noted.

III-G-07 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

III-H-07 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

III-I-07 Certified Annual Report – The Certified Annual Report was filed timely with the Department of Education.

III-J-07 Deficit Balances – The Physical Plant and Equipment Fund had a deficit fund balance at June 30, 2007.

Recommendation – The District should continue to investigate alternatives to eliminate this deficit in order to return this account to a sound financial condition.

Response – The District will closely monitor expenditures during the year in hopes of eliminating the deficit in the PPEL Fund at the end of the fiscal year.

Conclusion – Response accepted.



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON
AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education of the
West Sioux Community School District

We have audited the financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of WEST SIOUX COMMUNITY SCHOOL DISTRICT as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents, and have issued our report thereon dated May 30, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance:

As part of obtaining reasonable assurance about whether the West Sioux Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved.

Internal Control Over Financial Reporting:

In planning and performing our audit, we considered the West Sioux School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the West Sioux School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the West Sioux School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the West Sioux School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the West Sioux School District's financial statements that is more than inconsequential will not be prevented or detected by the West Sioux School District's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings and Questioned Costs as items II-A-07, II-B-07 and II-C-07 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the West Sioux School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies described above are material weaknesses.

The West Sioux School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit the West Sioux School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the board of education, management, employees and citizens of West Sioux Community School District and other parties to whom the West Sioux Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of West Sioux Community School District during the course of our audit. If you have any questions concerning any of the above matters, we would be pleased to discuss them with you at your convenience.

William & Campay, P.C.
Certified Public Accountants

Le Mars, Iowa
May 30, 2008